

DIRECT TESTIMONY
OF
PHIL A. HARDAS
FINANCE DEPARTMENT
FINANCIAL ANALYSIS DIVISION
ILLINOIS COMMERCE COMMISSION

ILLINOIS COMMERCE COMMISSION
ON ITS OWN MOTION
-VS-
UNION ELECTRIC COMPANY

DOCKET No. 00-0655

PROPOSED TRANSFER OF DISTRIBUTION AND TRANSMISSION ASSETS
AND RETAIL ELECTRIC BUSINESS

NOVEMBER 2000

00-0655
ICC Staff
11-17-00
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1 **Q. Please state your name and business address.**

2
3 A. My name is Phil A. Hardas. My business address is 527 East Capitol Avenue,
4 Springfield, Illinois, 62701.
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6 **Q. What is your current position with the Illinois Commerce Commission**
7 **"Commission"?**
8

9 A. I am presently employed as a Financial Analyst with the Finance Department of
10 the Financial Analysis Division.
11

12 **Q. Please describe your qualifications and background.**
13

14 A. In December of 1998, I received a Bachelor of Science degree in Finance from
15 Southern Illinois University in Carbondale, Illinois. I am currently pursuing a
16 Masters degree in Business Administration at the University of Illinois at
17 Springfield. I have been employed by the Illinois Commerce Commission since
18 May 1999.
19

20 **Q. Please describe your assignment in this proceeding.**
21

22 A. On October 2, 2000, Union Electric Company("AmerenUE") filed notice with the
23 Commission of its intent to transfer all of its Illinois distribution assets and all Illinois
24 transmission assets other than those associated with AmerenUE's Venice, Illinois
25 generating plant and associated liabilities and its Illinois retail electric business, to

an affiliate, Central Illinois Public Service Company d/b/a Ameren CIPS ("AmerenCIPS" or "Company"). The Commission initiated this proceeding to determine whether the proposed transfer of the specified distribution and transmission assets should be prohibited. One of the issues before the Commission under Section 16-111(g)(vi) of the Illinois Public Utilities Act ("Act") (220 ILCS 5/16-111(g)(vi)) is whether there is a strong likelihood that consummation of the proposed transaction will result in the Company being entitled to request an increase in its base rates during the mandatory transition period pursuant to Section 16-111(d) of the Act. Towards that end, I was assigned to evaluate the Company's *projected earned rates of return on common equity ("ROEs")* and to address the likelihood that consummation of the proposed transaction will result in the Company being entitled to request an increase in base rates during the mandatory transition period pursuant to the Act.

Q. Please summarize your findings.

A. Although, the Company has presented ROEs for the mandatory transition period, it has not set forth the assumed customer retention rates nor tested the sensitivity of its ROEs to alternative customer retention rates. Therefore, I sent staff data requests PH-1.03 and PH-1.04, which ask the Company to provide ROE projections and projected financial statements for the years 2000 through 2004 using the assumption of 0% customer retention and 100% customer retention, both with and without the proposed transfer. Currently, I am waiting for responses to Staff data requests PH-1.03 and PH-1.04. Partial answers to Staff data requests PH-1.03 and PH-1.04 were received by Staff. At this time, the Company has failed to

51 make an adequate showing of the ROEs. Without these responses, I am unable to
52 make a determination of the effect of the proposed transfer on the Company's
53 ROEs. The Company has indicated that these responses to staff data requests
54 should be sent to Staff no later than the close of business on November 3, 2000. It
55 is my intention to file supplemental Staff direct testimony after receiving and
56 reviewing the amended responses to Staff data requests PH-1.03 and PH-1.04

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58
59 **Q. Does this conclude your direct testimony?**

60
61 **A. Yes, it does.**